

SWS Sample Paper:
The Aerospace Industry

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The aerospace industry plays a critical role in the economy as it is a major mode of transportation for professional and personal travel. There are many airline companies, and the seven largest U.S. airlines, according to Business Insider include: Delta, Southwest, American, United, Alaska, JetBlue, and Spirit (1). Although airline travel is an efficient way for individuals to connect, with advances in technology there is some decline in travel for business purposes. This paper will discuss the airline industry and specifically discuss their goods and services, a few economic factors that relate to this industry, and highlight a trend related to the future of this industry.

Goods and Services

The airline industry provides a service in that it enables passengers to travel using different types of planes and routes, based on different airlines. More airlines are also starting to sell additional goods and services such as credit cards with airline miles, with the goal that this will create loyalty to travel with a specific airline company. With respect to the service provided by airlines, individuals will also see differences in price values based on their travel preferences, such as the time of day, location of travel, type of aircraft, seating preferences (first class v. economy), number of stops, and how early or late the flight was booked. There are also additional factors that would impact the goods and services provided within this industry because travel can be either domestic or international, and longer flights often provide more services and amenities.

Economic Concepts

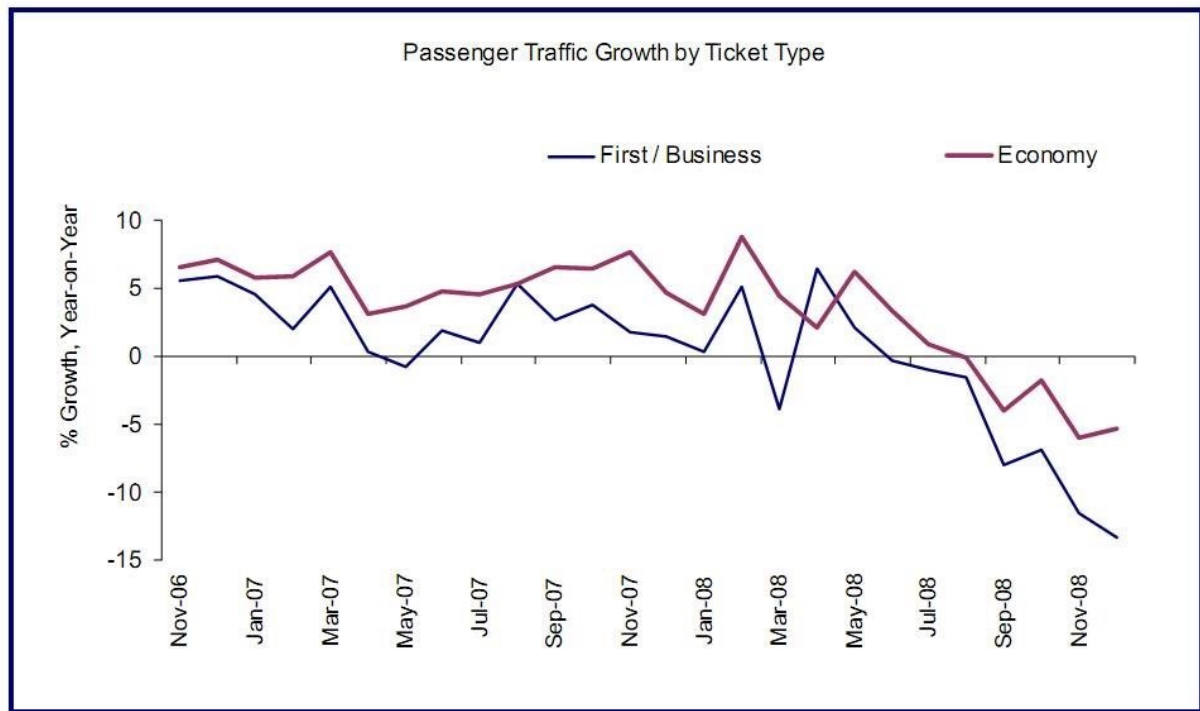
There are many economic concepts that relates to the airline industry, but this brief will focus on the Law of Supply and Law of Demand. The Law of Supply would imply that airlines have the goal of maximizing their profit by having more flights running and charging a more expensive price. Also, these airline companies would not want to send empty flights, so they would also try to find flight times that

might maximize their number of passengers per flight. The Law of Demand would imply that customers will travel more if prices decline and are more affordable.

There are often last-minute sales from the airline companies that are posted online with the goal of encouraging more individuals to travel, since the price was reduced. Although airlines will not receive full price on this individual’s ticket purchase, it will still help them to reach their flight capacity. Another important economic concept that stems from these ideas of supply and demand is competition. As prices and travel options fluctuate, individuals may look at different travel alternatives or different airlines to reduce costs, leading airline companies to evaluate their prices on a daily basis in comparison with competitor’s rates.

Economic Trend

Currently, there are over “42,000 flights and 2.5 million passengers” (Federal Aviation Administration, 2). However, one notable trend over the past decade is an overall decrease in business travel, as seen in the visual below from Snyder (3):



In conclusion, as technology continues to advance, it will be interesting to see what happens in the future, especially as both first/business and economy class travel is on the decline.

Sources

1. Business Insider. (2016). These Are the 7 Biggest US Airlines. Retrieved from <http://www.businessinsider.com/these-are-the-7-biggestus-airlines-2016-4#1-delta-7>
2. Federal Aviation Administration. (2017). Air Traffic by the Numbers. Retrieved from https://www.faa.gov/air_traffic/by_the_numbers/
3. Brett Snyder. (2009). December Premium Air Traffic Down More Than 13 Percent. Retrieved from <https://www.cbsnews.com/news/december-premium-air-traffic-down-more-than-13-percent/>